

MEMO

To: Housing Methodology Committee

From: Gillian Adams, Regional Planner; Ken Kirkey, Principal Planner

Date: September 15, 2006

Re: RHNA Allocation by Income Category – Potential Approaches

Summary

There are two primary goals that are at the heart of the Regional Housing Need Allocation (RHNA) process. The first is to increase the supply of housing in California by allocating a share of the state-wide housing need to each city and county. The second is to ensure that local governments consider the housing needs of persons at all income levels as they prepare their Housing Elements. The RHNA process achieves these goals by providing each jurisdiction with an allocation of housing units that are separated into the four income categories established by the State.

Goals to Consider

There are several basic considerations when contemplating developing the methodology for allocating housing units by income category. These are explicitly stated in the RHNA statutes as two of the objectives for the process. The first of these is that all cities and counties are responsible for doing their “fair share” and planning for at least some of the region’s need for very-low- and low-income units [§65584(d)(1)¹]. The second is that the allocation methodology must avoid or mitigate the over-concentration of income groups in a jurisdiction [§65584(d)(4)].

In many ways, these State-mandated objectives are complementary to the goals of Focusing Our Vision. Providing a range of housing choices to meet the needs of all residents is a key element in protecting and enhancing the region’s quality of life. Producing more housing—especially affordable housing—will help to alleviate the region’s high housing costs. Many people in the Bay Area struggle with the region’s high housing costs, but the situation is particularly challenging for lower income households that have fewer resources with which to compete for available housing. In addition, the economic vitality of the region depends upon having housing that is affordable to people making a range of incomes. Currently, the region’s high housing costs are making it more difficult for employers to attract and retain employees.

It is also important for every community to contribute to solving the need for more affordable housing. Each community—even those that are not major employment centers—has some jobs. In many jurisdictions, a significant proportion of the employment opportunities are in service, retail, and other sectors that often do not pay high wages. Providing a range of housing choices allows workers the opportunity to live in or near the communities in which they work

¹ All references are to California Government Code Sections.

Possible Methods for Allocating Units by Income

When the Department of Housing and Community Development (HCD) provides ABAG with the total housing need for the region, it is divided into four income categories. The four income categories defined by the State are:

- **Very Low:** households with income **up to 50 percent** of the county's area median income (AMI)
- **Low:** households with income **between 50 and 80 percent** of the county's AMI
- **Moderate:** households with income **between 80 and 120 percent** of the county's AMI
- **Above-Moderate:** households with income **above 120 percent** of the county's AMI

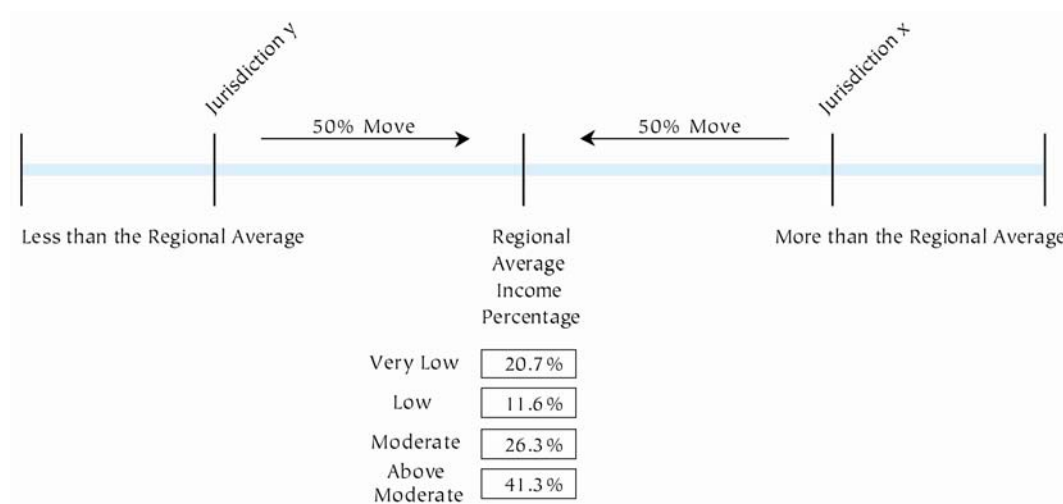
It is the responsibility of each Council of Governments (COG) to create a methodology for assigning the regional need to each jurisdiction in a way that fully allocates the units in each income category and meets the two objectives listed above.

To provide a starting place for the HMC's discussion about how to allocate units by income, we have identified several possible methods below.

Bay Area RHNA, 1999-2006

During the most recent RHNA revision, ABAG used a methodology that promoted a more equitable distribution of housing opportunities in the region relative to existing conditions by moving each jurisdiction 50 percent toward the regional average household income.

The first step in this process was to determine the existing income distribution for each jurisdiction. The next step was to calculate, for each income category, the difference between the percentage for the region and the jurisdiction. This difference was then multiplied by 0.5. The resulting adjustment factor was then added to the jurisdiction's percentage. This process is outlined in the graphic below.



This approach moves each jurisdiction toward the regional income distribution. However, since it is based on existing conditions, jurisdictions that have a high proportion of households in a particular income category receive higher allocations in that category compared to other jurisdictions.

Bay Area RHNA, 1988-1995

During the second RHNA revision, ABAG also used a methodology that moved each jurisdiction toward the regional income distribution. This was accomplished by calculating the average of the percentages for each income category in the city, the county, and the region.

For example, in 1980, 39 percent of Oakland residents, 28 percent of Alameda County residents, and 23 percent of Bay Area residents were in the very-low-income category. The average of these three percentages is 30 percent $[(39+28+23)/3]$. As a result, 30 percent of Oakland's total allocation was in the very-low-income category.

This methodology has results similar to the 1999-2006 Bay Area RHNA approach.

Southern California Association of Governments (SCAG), 1998-2005

In its last RHNA revision, SCAG also adopted the goal of moving each jurisdiction's income percentages toward the regional averages. Each jurisdiction was categorized as "low impactation," "average impactation," or "high impactation" depending on how its proportion of very-low- and low-income income households combined compared to the proportion of these income categories for the region as a whole. The "housing diversity band" below shows the scale that was used to classify jurisdictions.



This classification determined how far the jurisdiction's income categories were moved toward the regional average. Low impactation jurisdictions moved $\frac{1}{4}$ of the way, average impactation jurisdictions moved $\frac{1}{2}$ of the way, and high impactation jurisdictions moved $\frac{3}{4}$ of the way.

Although the details of SCAG's method may not be appropriate for the Bay Area, this example highlights the possibility of putting jurisdictions into different categories and using different weights for moving them toward the regional income distribution. Like the two methods used by ABAG in previous RHNA cycles, this approach moves each jurisdiction toward the regional income distribution. However, in this methodology, jurisdictions with the highest proportions of low-income households are moved further toward the regional average.

City of Antioch

The City of Antioch has submitted a proposal that would allocate housing units by income category based solely on the region-wide income distribution, without consideration for the existing income distribution in each city or county. In this approach, each jurisdiction is assigned units to match the regional percentages in each of the four income categories.

An August 22, 2006 letter (attached) from Antioch Mayor Donald Freitas outlines the position of the Antioch City Council in favor of an income category allocation that is the same for all of the region's jurisdictions. If implemented, this "equal share" approach would apply the regional income distribution to each of the region's jurisdictions.

Summary

The approaches used to allocate income-based housing units for the last two RHNA cycles in the Bay Area as well as SCAG's approach for the last RHNA revision in the Greater Los Angeles region represent attempts at balancing competing issues. These methodologies try to address the existing need for affordable housing in each jurisdiction while also fostering a more balanced spread of income groups throughout the region. Moving each jurisdiction at least part of the way toward the regional income distribution ensures that all communities take responsibility for their "fair share" of the need to plan for the housing needs of households in the affordable income categories (very low, low, moderate).

Since these start with a jurisdiction's existing income distribution and then move part of the way to the regional household income average, they represent only a modification of existing conditions. Jurisdictions with more households in affordable categories (relative to the regional average) must still plan for disproportionately more affordable housing, and those with less than the regional average must plan for less. It can be argued that this approach balances meeting the existing need in a specific jurisdiction with the goal of having all jurisdictions do their "fair share" to meet the region's housing needs.

Alternatively, these approaches have been described as perpetuating an undue housing burden on communities with a higher percentage of households in affordable categories. This argument largely informs the City of Antioch's advocacy for using the same income category allocation percentages for all of the region's jurisdictions.

Finally, changes to the RHNA statutes since the last RHNA revision suggest that a county average, rather than a regional average, could be used for comparing jurisdictions. Staff believes that differences in household income distribution among the nine Bay Area counties could result in an uneven and more complicated distribution than a region-wide comparison. ABAG proposes to query HCD staff at the HMC meeting on September 28, 2006 regarding the viability of using a regional average for the purpose of allocating income categories.



August 22, 2006

Mr. Henry Gardner
Association of Bay Area Governments
PO Box 2050
Oakland, CA 94604-2050

Re: 2006 – 2014 Regional Housing Needs Allocation Process

Mayor
Donald P. Freitas

Mayor Pro Tem
Brian Kalinowski

Council Members
Jim Conley
James D. Davis
Arne Simonsen

Dear Mr. Gardner:

As you know ABAG has begun the 2006 – 2014 Regional Housing Needs Allocation (RHNA) process which will allocate housing needs in the very low, low, moderate, and above moderate income categories to individual jurisdictions or subregions. The allocations must then be incorporated into the jurisdictions' housing elements.

The City of Antioch would like to urge ABAG to diligently pursue a fair and equitable distribution of housing needs among all member jurisdictions as required by State housing law. In particular I would like to point out that Section 65584(d) of the California Government Code requires that the housing needs allocation plan must be consistent with several objectives including "increasing the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner, which shall result in each jurisdiction receiving an allocation of units for low and very low income households" (emphasis added).

It is the opinion of the City of Antioch City Council that an equitable housing allocation distribution must result in a ratio of very low and low income households to the total allocation for all income categories that is the same for all jurisdictions. To not achieve this would be contrary to the objectives mandated by the State.

Although Antioch is not a member of the RHNA Methodology Committee staff would like to be engaged in and informed of the process. Please contact Tina Wehrmeister of the Antioch Community Development Department at (925) 779-7038.

Sincerely,



Donald P. Freitas
Mayor

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